

Prepared for

Ross Medical Education
Center

Federal Student Aid
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

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Prepared by

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Federal Student Aid

Chicago/Denver School Participation Division

Final Program Review Determination December 24, 2013

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A. Institutional Information

Ross Medical Education Center
4106 W. Saginaw Highway
Lansing, Michigan 48917-2108

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: Accrediting Bureau of Health Education Schools

Student Enrollment as of February 2011:

- Lansing: 191
- Grand Rapids: 193
- Niles: 159
- Fort Wayne: 86

Percentage of Students Receiving Title IV as of February 2011:

- Lansing: 97.4%
- Grand Rapids: 94.8%
- Niles: 98.8%
- Fort Wayne: 99.4%

Title IV, HEA Program Participation (PCNet):

	<u>2009-2010</u>	<u>2010-2011</u>
Federal Pell Grant	\$3,224,407	\$4,569,735
Federal Family Educational Loan Program (FFEL)	\$3,019,687	\$5,500
William D. Ford Federal Direct Loan Program (DL)	\$2,478,163	\$8,635,269

Default Rate FFEL/DL: 2011 – 9.1%
2010 – 14.6%
2009 – 18.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Ross Medical Education Center (Ross) from March 7 through March 10, 2011. The review was conducted by Clare Barger, David Musser and Michael Powers.

The focus of the review was to determine Ross's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Ross's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date as of date of on-site review) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on May 4, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Ross's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Ross of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 2-4:

Ross has taken the corrective actions necessary to resolve findings 2-4 of the program review report. Therefore, these findings may be considered closed.¹ Finding 1 requiring further action by Ross is discussed below.

Findings with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of Ross's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on May 4, 2012 is attached as Appendix C.

¹ See Appendix B for Ross's response to the findings in the Program Review Report.

Finding 1. Return of Title IV (R2T4) Errors

Citation Summary: According to the Federal Register, "... as ... previously indicated, when an institution administratively withdraws a student from all of his or her classes the student is considered to have officially withdrawn as of the date of that administrative withdrawal. This guidance applies regardless of whether or not the institution is required to take attendance." See 67 FR 51,726 (Number 153, August 8, 2002).²

According to the 2009-2010 Federal Student Aid Handbook (Volume 5, Chapter 2), if a school can document that it has a uniform policy of withdrawing of students after a specified (and reasonable) number of absences that applies throughout the payment period, then the date that a student exceeded that number of absences would be the date that the school would normally use as the withdrawal date. Additionally, an institution may not artificially create a withdrawal date for a student that is beyond the midpoint of the period by simply choosing to withdraw the student after the midpoint.

Noncompliance Summary: Student #7 started the first term of the program on November 16, 2009 and on December 8, 2009 Ross administratively withdrew the student based upon their seven day unexcused absence policy. For Step 1 of the R2T4 form: At the time of the student's withdrawal, the Pell funds had not been disbursed, so the funds were correctly included in the "Amount that Could Have Been Disbursed" column; however, the amount included was incorrect. Ross used \$1,988.00 in the calculation, but the correct amount was \$2650.00. Ross also incorrectly included loan disbursements as funds that could have been disbursed; however, the loan funds could not be included because the loans had not been certified as of the date that the student was withdrawn. Ross corrected these errors during the on-site review. For Step 2 of the R2T4 form: To determine the percentage of Title IV earned Ross incorrectly used the midpoint (50%) of the payment period as the withdrawal date as opposed to the date they administratively withdrew the student.³ Using the date that Ross withdrew the student in the calculation means that the student completed 23 of 108 days in the payment period, or 21.3%. Ross did not correct this error during the on-site review. The Department's recalculation of the R2T4 determined that the student was eligible for a post-withdrawal disbursement of \$564.45. The student received \$1,465.00 in Pell funds for a difference of \$900.55 as an ineligible disbursement.

Student #15 started the second payment period on November 9, 2009 and on November 17, 2009 Ross administratively withdrew the student due to the failure to meet satisfactory academic progress standards. In Step 1 of the R2T4 calculation form, Ross incorrectly included the Pell funds in the "Amount Disbursed" column as opposed to the "Amount that Could Have Been Disbursed" column. Though this particular issue does not create a financial liability, it is noted because it is an incidence of Ross not completing the R2T4 calculation correctly.

Student # 21 transferred to a new program that began on May 17, 2010 and on July 29, 2010 Ross administratively withdrew the student based upon their satisfactory academic progress attendance policy.

² <http://ifap.ed.gov/fregisters/FR0808200205.html>

³ For purposes of the on-site review and this program review report, the Department used as the withdrawal date the date that Ross administratively withdrew the student. Ross can choose that option or use the student's last date of attendance as the withdrawal date.

For Step 1 of the R2T4 form: Ross incorrectly included loan disbursements in the "Amount that Could Have Been Disbursed" column; however, the loan funds could not be included because the loans had not been certified as of the date that the student was withdrawn. Though this particular issue does not create a financial liability, it is noted because it is an incidence of Ross not completing the R2T4 calculation correctly.

Student #35 started the first term of the program on November 1, 2010 and on November 19, 2010 Ross administratively withdrew the student based upon their seven day unexcused absence policy. For Step 1 of the R2T4 form: At the time of the student's withdrawal, the Pell funds had not been disbursed, so the funds were incorrectly included in the "Amount Disbursed" column as opposed to the "Amount that Could Have Been Disbursed" column. Ross incorrectly included loan disbursements as funds that could have been disbursed; however, the loan funds could not be included because the loans had not been certified as of the date that the student was withdrawn. To determine the percentage of Title IV earned Ross incorrectly used the midpoint (50%) of the payment period as the withdrawal date as opposed to the date they administratively withdrew the student. Using the date that Ross withdrew the student in the calculation means that the student completed 19 of 105 days in the payment period, or 17.9%. The Department's recalculation of the R2T4 determined that the student was eligible for a post-withdrawal disbursement of \$496.73. The student received \$1,536.00 in Pell funds for a difference of \$1,039.27 as an ineligible disbursement.

Required Action Summary: Ross – prior to July 1, 2011 – had a policy of considering any student that was administratively withdrawn by them as a student that had unofficially withdrawn at the midpoint of the payment period, if the student was withdrawn prior to and up to the midpoint. As the reliance on this policy position was incorrect, the treatment of all withdrawals prior to the midpoint of the payment period are at issue and systemic. Furthermore, Ross's completion of the R2T4 calculation form demonstrates a misunderstanding of how to correctly complete Step 1 of the R2T4 of the form. As a result of the aforementioned errors, Ross is required to perform a full file review of all students that withdrew during a particular payment period for the two award years under review, i.e. 2009-2010 and 2010-2011 to determination the correct amount of Title IV funds that should have been returned to the Department.

For each student that withdrew during the aforementioned award years, Ross must provide the following information (each in their own dedicated row) electronically in an Excel spreadsheet:

- 1. Student name and social security number*
- 2. The last date of attendance*
- 3. The withdrawal date⁴*
- 4. The date of determination of withdrawal*
- 5. The total number of days the student completed in the payment period*
- 6. The total number of days in the payment period*
- 7. The correct amount of Title IV funds due to the Department by program (i.e. Pell or Direct Loan)*
- 8. The amount and date of funds already returned to the Department by program*

⁴ Ross must determine and inform the Department of whether they will use the last date of attendance or the date that they administratively withdrew the student as the withdrawal date.

9. *The amount to be returned to the Department (i.e. the difference between correct total due and amount already returned)*⁵

In addition to the information required above, for all student files reviewed, Ross must provide to the Department all supporting documentation including but not limited to: Student account ledgers, R2T4 calculation forms, comprehensive progress reports, attendance forms, withdrawal notification forms or documents indicating withdrawal date, and proof of any funds previously returned to the Department.

Ross must also establish and implement procedures to ensure that it properly performs all required R2T4 calculations.

Instructions for the repayment of any identified liability will be provided in the Final Program Review Determination (FPRD) letter.

Ross's Response: Effective March 11, 2011, Ross ceased using the midpoint date as the withdrawal date for Return to Title IV ("R2T4") purposes. Ross has established a policy whereby, if a student misses seven classroom training days and does not notify the campus, the student is automatically terminated on the seventh missed classroom training day. During the program review period, the date that the student exceeded the permitted number of unexcused absences should have been used as both the administrative withdrawal date and the date for purposes of performing the R2T4 calculation.

Under current policy, if a student notifies the campus of his or her withdrawal, the student is withdrawn on the student's last date of attendance. Under prior policy the student was withdrawn on the date of notification.

Attached to this [response] letter is an Excel spreadsheet identifying all students who withdrew during the 2009-2010 and 2010-2011 award years.

The Excel spreadsheet includes the information as outlined in the Program Review Report. In all cases, Ross performed a new R2T4 calculation using the date of determination of withdrawal (i.e. the date of the administrative withdrawal) as the withdrawal date.

In addition to the Excel spreadsheet, all supporting documentation as outlined in the Program Review Report is being sent to the Department separately.

As noted above, we believe we have established and implemented procedures to properly perform all R2T4 calculations. Once the campus takes action to terminate a student, our corporate office is notified to perform the R2T4 calculation. We utilize the Department's electronic R2T4 worksheets available on the Information for Financial Aid Professionals (IFAP) website. All R2T4 calculations, attendance records, ledger cards progress reports and withdrawal notification forms are proofread and checked for consistency to ensure that all R2T4 calculations are performed accurately.

⁵ Note: An overpayment of a refund to the Department does not offset the underpayment of a refund not made by Ross.

We thank the Department for clarification of the treatment of students who are administratively withdrawn from the program and for guidance concerning the proper completion of Step 1 of the R2T4 form. We had previously received guidance from our independent compliance auditing firm and based on their guidance established an incorrect policy position. As stated previously, we now consider students who are administratively withdrawn from the program as official withdrawals and the date of determination (which is no more than seven days from the student's last date of attendance) is used as the withdrawal date.

Final Determination:

Student Files from the Program Review Sample: As noted in the PRR student files #15 and 21 – though incorrect – contained no liabilities.

Ross corrected student #7's R2T4 calculation errors and determined that the student received an ineligible disbursement of \$402.98 in Pell funds. The Department concurs with this determination. Ross also corrected student #35's R2T4 calculation error and determined that the student received an ineligible disbursement of \$193.14 in Pell funds. The Department concurs with this determination.

Student Files from the File Review: Each student file (including those cited in the PRR) was reviewed and the Department concurs with Ross's file review determination in an overwhelming majority of the files. Where the Department's final determination differed from Ross's, an explanation was added to the Excel spreadsheets originally provided by Ross.⁶

The liabilities for this finding are as follows:⁷

Ineligible Pell Disbursements 2009-2010:⁸

Pell Owed to ED:	\$13,791.59
Interest Owed to ED:	\$275.52
Total:	\$14,067.11

Ineligible Pell Disbursements 2010-2011:⁹

Pell Owed to ED:	\$16,712.04
Interest Owed to ED:	\$100.12
Total:	\$16,812.16

⁶ See Appendix D which contains the Excel spreadsheets for each of the four locations was copied and identified – on the bottom tabs – with (ED) following the name of the location (e.g. Lansing (ED)). Those where the Department concurred with Ross are highlighted in red and those where the Department did not concur with Ross are highlighted in yellow. In order to determine the liability associated with each student, students can be identified by the alpha L (Lansing), G (Grand Rapids), F (Fort Wayne) and N (Niles), followed by the student's position on the Excel spread sheet. For example, L8 is the student from Lansing at the line 8 position on the spreadsheet.

⁷ Refer to Appendices xx through xx. "ED" refers to the Department.

⁸ See Appendix E.

⁹ See Appendix F.

Unmade Pell Returns 2009-2010:¹⁰

Pell Owed to ED:	\$11,096.01
Interest Owed to ED:	\$172.01
Total:	\$11,268.02

Unmade Pell Returns 2010-2011:¹¹

Pell Owed to ED:	\$15,951.56
Interest Owed to ED:	\$72.21
Total:	\$16,023.77

Ineligible Loan Disbursements 2009-2010:¹²

Subsidized Loans Owed to Lender:	\$861.87
Unsubsidized Loans Owed to Lender:	\$4,778.23
Interest Owed to ED:	\$457.94
Total:	\$6,098.04

Unmade Loan Returns 2009-2010:¹³

Subsidized Loans Owed to Lender:	\$4,428.49
Unsubsidized Loans Owed to Lender:	\$3,063.87
Interest Owed to ED:	\$94.65
Interest Owed to Students:	\$274.98
Total:	\$7,861.99

Unmade Loan Returns 2010-2011:¹⁴

Subsidized Loans Owed to ED:	\$2,123.82
Unsubsidized Loans Owed to ED:	\$1,691.12
Total:	\$3,814.94

Late Loan Return 2009-2010:¹⁵

Interest Owed to ED:	\$1.98
Interest Owed to Students:	\$12.13
Total:	\$14.11

Total Liabilities for Finding:

Pell Owed to ED:	\$57,551.20 (\$57,551.00 Rounded)
Pell Interest Owed to ED:	\$619.86 (\$620.00 Rounded)
Subsidized Loans Owed to Lender:	\$5,290.36 (\$5,290.00 Rounded)
Unsubsidized Loans Owed to Lender:	\$7,842.10 (\$7,842.00 Rounded)

¹⁰ See Appendix G.

¹¹ See Appendix H.

¹² See Appendix I.

¹³ See Appendix J.

¹⁴ See Appendix K.

¹⁵ See Appendix L.

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Subsidized Loans Owed to ED:	\$2,123.82 (\$2,124.00 Rounded)
Unsubsidized Loans Owed to ED:	\$1,691.12 (\$1,691.00 Rounded)
Loan Interest Owed to ED:	\$554.57 (\$555.00 Rounded)
Loan Interest Owed to Students:	\$287.11 (\$287.00 Rounded)

Total Rounded Liability for Finding: \$75,960.00

Ross must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Due to the number of unpaid refunds, the institution is required to have on file with the Department an irrevocable Letter of Credit (LOC) equal to 25% of the total refunds the institution made, or should have made, during the most recently closed fiscal year (34 C.F.R. § 668.173(d)). Instructions for submitting this LOC will be sent to the institution under separate cover.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows. The payment instructions in Section E have been adjusted to reflect the unduplicated liabilities.¹⁶

Liabilities	Pell	FFEL	DL	
Finding 1	\$57,551.00	\$13,132.00	\$3,815.00	
Interest to ED	\$620.00	\$555.00	\$0	
Interest to Student		\$287.00	\$0	
TOTAL	\$58,171.00	\$13,974.00	\$3,815.00	
Payable To:				Totals
Department	\$58,171.00	\$555.00	\$3,815.00	\$62,541.00
Students		\$287.00		\$287.00
Lenders		\$13,132.00		\$13,132.00
TOTAL				\$75,960.00

¹⁶ Rounded totals were used.

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

Ross owes to the Department \$62,541.00. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$62,541.00
DUNS: Institution's DUNS number
TIN: 9-digit tax identification number
Program Review Control Number: 2011-2-05-27795

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of receipt of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Ross is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Ross's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Ross has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Ross from the Federal Government. **Ross may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Ross must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

2. Liabilities Owed to Students

Finding: #1

Appendices: J and L

Students	
Amount	Award Year
\$287.11	2009-2010

Ross must make a good faith effort to pay the amount listed above students listed in Appendices J and L.

If Ross cannot locate a student, payment must be made to the account of the program from which the award was made. If that cannot be determined, the funds must be paid in the order required for the return of funds specified in 34 C.F.R. § 668.22(i):

Unsubsidized FFEL
Subsidized FFEL

Ross must provide proof of payment to the student by submitting a copy of the front and back of the canceled check to Clare Barger within 45 days of the date receipt of this letter.

3. Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

Federal Family Education Loan (FFEL) Liabilities:

Finding: #1

Appendix: I, J and L

FFEL		
Amount (Principal)	Amount (Interest)	Award Year
\$13,123.00	\$0	2009-2010

Ross must pay the amount above to the holders of the FFEL loans on behalf of the students identified in the appendices I, J and L, plus any interest that has accrued since the date of this letter and the day the school pays the holder. These Appendices list each of the applicable students and the corresponding amount owed to the student's FFEL loan, except for the interest that continues to accrue. Ross must access NSLDS to determine if the FFEL loans have been purchased and/or are serviced by the Department. See Chapter 4, Volume 4 (Returning funds from FFEL loans purchased/serviced by the Department) of the FSA Handbook for additional guidance.

As proof of payment, a copy of the front and back of the canceled checks, or proof of electronic transfer of the funds, must be provided to Clare Barger within 45 days of the date of receipt this letter.

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Closed Award Years (Request Extended Processing)

Finding: #1

Appendix: K

Ross must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$3,815.00	\$0	2010-2011

The disbursement record for each student identified in Appendix K must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record must be sent to Clare Barger within 45 days of the date of this letter.

Request Extended Processing

COD adjustments are necessary for the closed award year listed above. Before any student level adjustments can be processed, Ross must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year.

4. Liabilities Owed to the Department in the case of Title IV Grants

Closed Award Years

Findings: #1

Appendices: E, F, G and H

Ross must repay:

Closed Award Years			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$24,887.00	\$448.00	Pell	2009-2010
\$32,664.00	\$172.00	Pell	2010-2011
Total Principal	Total Interest		
\$57,551.00	\$620.00		

The disbursement record for each student identified in Appendices E, F, G and H must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in these appendices.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Clare Barger within 45 days of the date of this letter.

F. Appendices